

Ratio Study Narrative 2022

| General Information | |
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| County Name | JOHNSON COUNTY |

| Person Performing Ratio Study | | | |
|-------------------------------|----------------|--------------------------|-----------------------------|
| Name | Phone Number | Email | Vendor Name (if applicable) |
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| Sales Window | 1/1/2021 to 12/31/2021 |
|--|--|
| <p>If more than one year of sales were used, was a time adjustment applied?</p> | <p>If no, please explain.</p> <p>Only sales during the above time frame were included. Johnson County is a thriving market that had a 7.4% increase in market transactions this year and a 13.7% increase in valid sales used. We felt that with the number of transactions that occurred during this time frame there was an adequate number of sales to perform the ratio study. We did conduct re-sale analysis for sales from 2019 to 2021 to confirm the increases that have been made this year. The resale analysis indicated an appreciation rate of .9768% a month. This represents approximately 11.72% a year.</p> |
| | <p>If yes, please explain the method used to calculate the adjustment.</p> |
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| Groupings |
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| <p>Please provide a list of townships and/or major class groupings (if any). Additionally, please provide information detailing how the townships and/or major classes are similar in the market.</p> <p>**Please note that groupings made for the sole purpose of combining due to a lack of sales with no similarities will not be accepted by the Department**</p> |
| <p><u>Residential Improved</u></p> <p>There was no grouping necessary.</p> |

Residential Vacant

Blue River, Clark, Nineveh, and Union townships were grouped together as these are more comparable in the current market. They share a similar economic factor due to being they are mostly rural with limited small towns, have very limited market action, and there is less development in these areas. White River, Franklin, and Pleasant townships were grouped together as these are more comparable in the current market. They share a similar economic factor in that they are thriving markets with significant new construction. Most new development in the county occurs in these townships. For Hensley and Needham townships there was no grouping necessary.

Commercial Improved & Vacant

Commercial Improved & Vacant- Blue River, Clark, Hensley, Needham, Nineveh, Union, & White River townships were grouped together when developing trend factors, since the construction types and sizes of these properties are very similar. In addition to that, these areas are incurring less development regarding commercial properties. Franklin and Pleasant townships had enough market sales to stand on their own. Apartments and fast food/dining facilities were well represented and indicated they need more of an adjustment than other commercial facilities. We have adjusted building factors and land rates within commercial neighborhoods that bring us closer to a market value. Due to the lack of land sales, we did focus on land to building ratios to determine if a rate change was warranted and applied adjustments at the neighborhood level to achieve more consistent land to building ratios. There are very few valid commercial vacant land sales due to the fact that most of the land for sale is already developed, sustains a change in use after it is purchased, or is in row crop. For this reason, we did group the commercial improved and vacant sales together for each grouping.

Industrial Improved

Industrial Improved-We reviewed the industrial improved as a county wide grouping when developing trend factors, since the construction type and sizes of these properties are similar. Due to the limited number of industrial properties in general, we had to use a broader grouping to get a fair reflection of the market. We have adjusted building use factors as necessary. While there are minimal market transactions for industrial properties, we fell they do represent the industrial market for the county.

Industrial Vacant

Industrial Vacant-We reviewed the industrial vacant as a county wide grouping when developing land rate adjustments, since the majority of industrial properties are close in proximity. Due to the limited number of industrial vacant properties in general, we had to use a broader grouping to get a fair reflection of the market. The few vacant land sales we had, were analysis, plotted out on a graph, and a line of best fit was derived to establish new industrial rates for the county. While there are minimal market transactions for industrial vacant properties, we fell they do represent the industrial market for the county.

AV Increases/Decreases

If applicable, please list any townships within the major property classes that either increased or decreased by more than 10% in total AV from the previous year. Additionally, please provide a reason why this occurred.

| Property Type | Townships Impacted | Explanation |
|----------------------------|---------------------------|--|
| Commercial Improved | BLUE RIVER TOWNSHIP | This is due to increased land rates this year and adjusting the market adjustment factors after the implementation of the new cost tables. |
| | FRANKLIN TOWNSHIP | This is due to increased land rates this year and adjusting the market adjustment factors after the implementation of the new cost tables. |
| | HENSLEY TOWNSHIP | This is due to increased land rates this year and adjusting the market adjustment factors after the implementation of the new cost tables. |
| | NEEDHAM TOWNSHIP | This is due to increased land rates this year and adjusting the market adjustment factors after the implementation of the new cost tables. |
| | NINEVEH TOWNSHIP | This is due to increased land rates this year and adjusting the market adjustment factors after the implementation of the new cost tables. |
| | PLEASANT TOWNSHIP | This is due to increased land rates this year and adjusting the market adjustment factors after the implementation of the new cost tables. |
| | WHITE RIVER TOWNSHIP | This is due to increased land rates this year and adjusting the market adjustment factors after the implementation of the new cost tables. |
| Commercial Vacant | BLUE RIVER TOWNSHIP | This is due to increased land rates this year. |
| | NINEVEH TOWNSHIP | This is due to increased land rates this year. |
| | UNION TOWNSHIP | This is due to increased land rates this year. |
| Industrial Improved | HENSLEY TOWNSHIP | This is due to increased land rates this year and adjusting the market adjustment factors after the implementation of the new cost tables. |
| | CLARK TOWNSHIP | This is due to increased land rates this year and adjusting the market |

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| | FRANKLIN TOWNSHIP NEEDHAM TOWNSHIP PLEASANT TOWNSHIP UNION TOWNSHIP | adjustment factors after the implementation of the new cost tables. This is due to increased land rates this year and adjusting the market adjustment factors after the implementation of the new cost tables. This is due to increased land rates this year and adjusting the market adjustment factors after the implementation of the new cost tables. This is due to increased land rates this year and adjusting the market adjustment factors after the implementation of the new cost tables. This is due to increased land rates this year and adjusting the market adjustment factors after the implementation of the new cost tables. |
| Industrial Vacant | HENSLEY TOWNSHIP FRANKLIN TOWNSHIP NEEDHAM TOWNSHIP NINEVEH TOWNSHIP PLEASANT TOWNSHIP | This is due to increased land rates this year. This is due to increased land rates this year. |
| Residential Improved | BLUE RIVER TOWNSHIP CLARK TOWNSHIP FRANKLIN TOWNSHIP HENSLEY TOWNSHIP NEEDHAM TOWNSHIP | This is due to increased land rates this year and adjusting the market adjustment factors after the implementation of the new cost tables. This is due to increased land rates this year and adjusting the market adjustment factors after the implementation of the new cost tables. This is due to increased land rates this year and adjusting the market adjustment factors after the implementation of the new cost tables. This is due to increased land rates this year and adjusting the market adjustment factors after the implementation of the new cost tables. This is due to increased land rates this year and adjusting the market adjustment factors after the implementation of the new cost tables. |

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| | NINEVEH TOWNSHIP | adjustment factors after the implementation of the new cost tables. This is due to increased land rates this year and adjusting the market adjustment factors after the implementation of the new cost tables. |
| | PLEASANT TOWNSHIP | This is due to increased land rates this year and adjusting the market adjustment factors after the implementation of the new cost tables. |
| | UNION TOWNSHIP | This is due to increased land rates this year and adjusting the market adjustment factors after the implementation of the new cost tables. |
| | WHITE RIVER TOWNSHIP | This is due to increased land rates this year and adjusting the market adjustment factors after the implementation of the new cost tables. |
| Residential Vacant | BLUE RIVER TOWNSHIP | This is due to increased land rates this year. |
| | CLARK TOWNSHIP | This is due to increased land rates this year. |
| | FRANKLIN TOWNSHIP | This is due to increased land rates this year. |
| | HENSLEY TOWNSHIP | This is due to increased land rates this year. |
| | PLEASANT TOWNSHIP | This is due to increased land rates this year. |
| | WHITE RIVER TOWNSHIP | This is due to increased land rates this year. |

Cyclical Reassessment

Please explain which townships were reviewed as part of the current phase of the cyclical reassessment.

We reviewed within the townships of Blue River Township, Clark Township, Franklin Township, Hensley Township, Needham Township, Nineveh Township, Pleasant Township, Union Township, and White River Township. All of which you will see reflected in the workbook.

Was the land order completed for the current cyclical reassessment phase?

Yes.

Comments

In this space, please provide any additional information you would like to provide the Department in order to help facilitate the approval of the ratio study. Such items could be standard operating procedures for certain assessment practices (e.g., effective age changes), a timeline of changes made by the assessor's office, or any other information deemed pertinent.

Overall, we noticed a good increase in assessed value and market activity within Johnson County. There was a 7% increase in overall transactions with a 13.5% increase in valid sales used. Resale analysis indicated a 11.72% annual appreciation rate, which we feel is slightly conservative. This large appreciation rate, compounded with a collaborative effort to make as conservative adjustments as possible in 2020 to acknowledge the effects of the pandemic, the 2021 adjustments needed to achieve our statistical obligations were higher than in years past.

This coincides with an increased amount of new construction. A real broad overview of the increased amount of new construction can be summarized by stating that there were almost 2,000 new parcels with just over 850 parcels changed from vacant to improved. There were several neighborhoods being developed, which resulted in a lot of developer discount being removed as the lots sold.

We do recognize that there is a significant number of parcels increasing 10% or more. For most areas there was an overall change that exceeded the 10% ceiling. The typical increase for Agricultural and Residential properties was about 16%, but this did vary by Township. For residential improved this was due to neighborhood factors being increased due to market activity. All residential improved neighborhoods that have increased 10% or more on average we looked at the percent of representation and confirmed that there was sufficient market activity to substantiate the increase in assessed value. With exception to Hensley and Nineveh Township, the typical Commercial change was about 7%, but this did vary by Township. Hensley commercial increase on average 10%, and Pleasant 13%. The typical increase for Industrial properties was about 10%, but this did vary by Township. Due to so many areas showing up, a detailed explanation, is included separately and is called Johnson County Large Change Explanations.

The 2022 Cost table updates were applied. The base year for depreciation was updated to 1/1/2022. The updated 2022 Agricultural land rate of \$1,500 was applied. The updated 2022 Classified land rate of \$16.43 was applied. While not applicable, the 2022 Solar land rate of \$13,000 that applies to the Central District was setup. The updated golf course cap rate of 11.03% was used.

For all properties, both outside and within our review areas, we applied factor adjustments and land rate adjustments where necessary to meet IAAO standards. Any areas that did not have a fair representation of sales were combined with an adjoining area of similar economic factors so that we could draw a more definitive representation of the market.